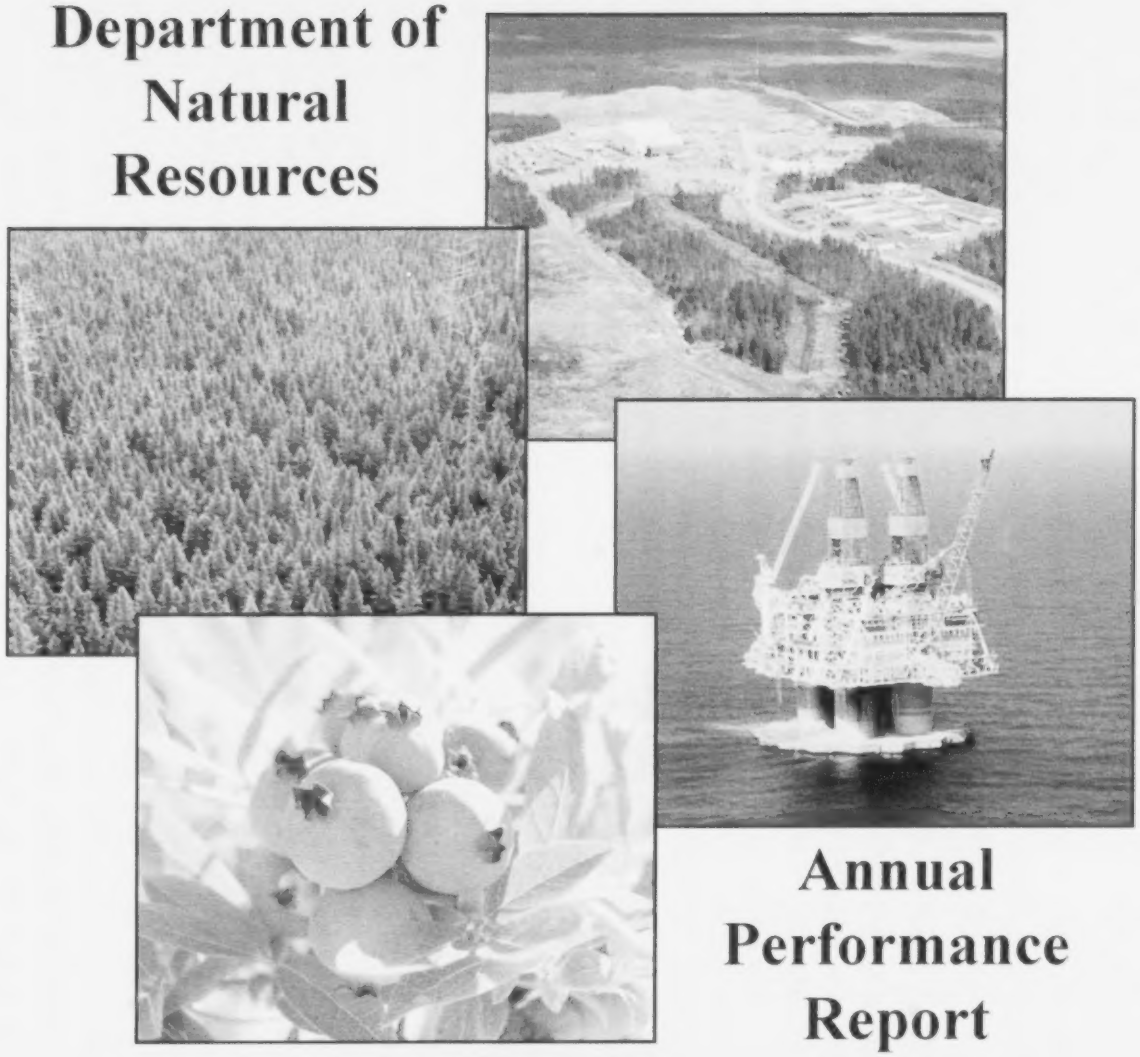
Newfoundland
Labrador

Department of Natural Resources



Annual Performance Report

2006-07

Government of Newfoundland and Labrador
Department of Natural Resources
2007

Message from the Minister

Hon. Roger Fitzgerald, M.H.A.
Speaker of the House of Assembly
East Block
Confederation Building

Dear Mr. Speaker:

In accordance with the *Transparency and Accountability Act*, I hereby submit the 2006-07 Annual Performance Report for the Department of Natural Resources which was prepared in accordance with the Department's requirements as a category 1 government entity.

The mandate of the Minister of Natural Resources includes all matters relating to resource policy, resource management, resource assessment and promotion and facilitation of resource development.

The following report covers the period April 1, 2006 to March 31, 2007. The outcomes reported reflect government's strategic direction for the Province's natural resources. My signature below is indicative of my accountability for the actual results.

Respectfully submitted,

Kathy Dunderdale

KATHY DUNDERDALE, MHA
Minister

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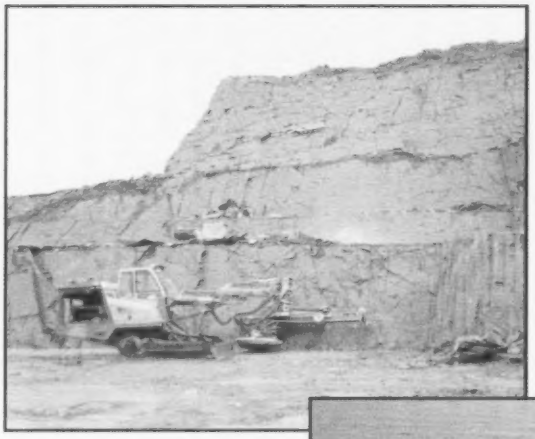
2006-07 Annual Performance Report

MINES AND ENERGY



1.0 Overview

The Department of Natural Resources was established under the *Executive Council Act* and is a category one government entity under the *Transparency and Accountability Act*. The Department is responsible for achieving outcomes with respect to natural resource development in the mining and energy sectors through two branches.

Mines Branch
The **Mines Branch** is responsible for the assessment, promotion, development and management of the Province's geology, mineral resources and mineral potential in a manner that maximizes the contribution of this sector to the economic well-being of the Province.

Energy Branch
The **Energy Branch** is responsible for promoting and facilitating the effective and efficient management of the Province's wind, hydro, electricity and petroleum resources from assessment through to development and production. Negotiation of industrial benefits to the local economy is central to the Branch's role. The Branch's activities also include ministerial accountability functions for the Newfoundland and Labrador Hydro Group of Companies and the Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB).

Vision

The vision of the Department of Natural Resources, Mines and Energy Branches, is of a Province that is realizing the full benefit from the use of its mineral and energy resources in a sustainable manner.

Mission

By 2011 the Department of Natural Resources, Mines and Energy Branches, will have identified and facilitated further opportunities for resource development and optimized the benefits received from these resources.

Mandate

The mandate of the Department of Natural Resources concerning the Mines and Energy Branches includes supervision, control and direction of all matters relating to promotion and exploration of mineral and energy resources and related industry development activities including:

- mines, minerals, quarries, quarry materials and beaches;
- onshore and offshore petroleum resources;
- electrical power;
- overall responsibility for provincial energy supply and demand;
- development, monitoring, supervision, assistance or other government intervention into any of the industries as described above;

- royalties and associated matters, within or outside the Province; and
- identification, assessment and monitoring of industrial benefits commitments from major resource development projects.

Values

The Department of Natural Resources, Mines and Energy Branches, values an environment that facilitates a high degree of personal responsibility and initiative. Excellence is key to the Department's achievements. As individuals and as a team, the Mines and Energy Branches strive to uphold these values. During 2006-07 and for the remaining term of the Department's 2006-2008 Strategic Plan, Mines and Energy employees have been and will be guided by the following principles or core values, as they address opportunities and challenges in mining, energy and related issues.

Integrity - Each individual will be honest, dependable, fair, credible and trustworthy. They will openly acknowledge mistakes, seek to correct them and learn from them.

Respect and Professionalism - Each individual will apply Departmental legislation and policies equitably to stakeholders. They will serve our client groups to the fullest extent possible.

Timeliness - Each individual will meet specified deadlines in accordance with Departmental priorities and follow through on their commitments.

Collaboration - Each individual will seek the opinions and ideas of others in the application of Departmental legislation and policies.

Innovation - Each individual will demonstrate initiative and flexibility in responding to challenges and change.

Lines of Business

The Department of Natural Resources, Mines and Energy Branches, has four main program and service areas.

Resource Policy
Working closely with key stakeholders, the Mines and Energy Branches develop resource policy and coordinate and facilitate sustainable development and management. Based on these frameworks, the Branches directly and indirectly develop, monitor and/or initiate supporting regulatory and benefits optimization activities.

Resource Management
In the on-land area of the Province, the Mines and Energy Branches are solely responsible for ensuring industries follow appropriate resource management practices and comply with relevant regulations. The Branches facilitate well-planned, responsible resource management activities and are responsible for monitoring all aspects of these activities.

In the offshore area, the Energy Branch in particular discharges its operational management and administration functions for offshore petroleum activity under a federal-provincial joint regime administered by the Canada-Newfoundland and Labrador Offshore Petroleum Board. In the electricity resource area, involvement in resource management is indirect and implemented through the Public Utilities Board and Newfoundland and Labrador Hydro.

The Energy Branch is also responsible for royalty development and administration of onshore and offshore petroleum royalties.

Resource Assessment
Resource assessment includes all those activities that precede resource development, such as developing assessment information through geoscience and climate surveying, mapping and documentation, disseminating information that encourages and supports or enhances resource exploration, investment decisions, exploration permitting and promoting development opportunities, industrial infrastructure and supply and service capabilities.

Promotion and Facilitation of Resource Development
Resource development builds on the activities of resource assessment. Resource development projects generally tend to be long term and capital intensive. Such projects generate significant economic and employment benefits and can be important catalysts, particularly for rural area growth. Activities are specifically directed to promoting and facilitating well-planned, responsible mineral and energy development and their associated business and employment opportunities.

Number of Employees

As of March 31, 2007, the Department of Natural Resources, Mines and Energy Branches, had 109[1] individuals on payroll.

Branch	Female	Male	Total
Mines	19	54	73
Energy	16	15	31
Industrial Benefits	1	4	5
Total	36	73	109

[1] This figure does not include: 49 employees with corporate services who also serve the Forestry and Agrifoods Agency (evenly split among genders); and 4 employees with the Public Service Secretariat who also serve the Forestry and Agrifoods Agency (almost all female).

Physical Location

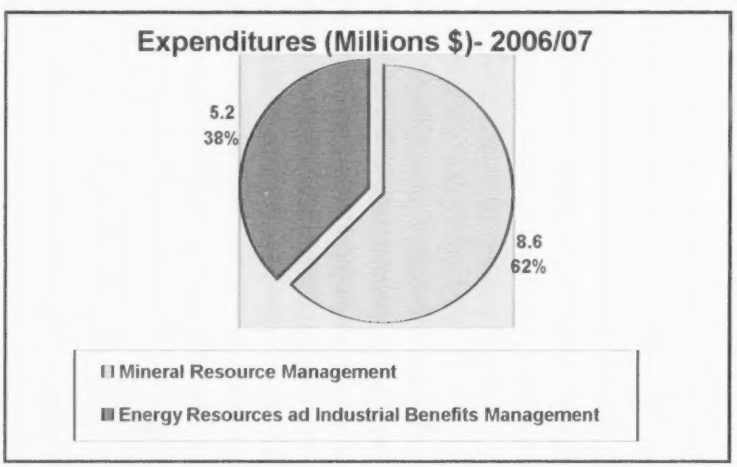
The main offices of the Department of Natural Resources, Mines and Energy Branches, are in one location:

Natural Resources Building
50 Elizabeth Avenue
P.O. Box 8700
St. John's, NL
A1B 4J6

The Department of Natural Resources website is: http://www.gov.nl.ca/nr

Budget

The expenditures for the Mines and Energy Branches in fiscal year 2006-07 totalled $13.8 million.[1,2]



[1] For additional details, see Appendix I.
[2] The expenditure figures do not include $6.0 million related to Executive and Support Services which are shared with the Forestry and Agrifoods Agency.

2.0 Shared Commitments

To promote and facilitate the sustainable development of the Province's mineral and energy resources for the overall benefit of the citizens of Newfoundland and Labrador, the Mines and Energy Branches must work in concert with numerous partner organizations. Each has its own unique vision, mission and mandate, yet plays an important role in policy development, management, promotion and assessment activities that are aspects of the Strategic Plan.

During 2006/07, the Mines and Energy Branches partnered on a number of initiatives to further advance accomplishment of its strategic goals and objectives:

- Participated with Newfoundland Ocean Industries Association and the Department of Innovation, Trade and Rural Development (INTRD) in identifying opportunities in the Alberta oil and gas fabrication and the supply and service market.

- In cooperation with INTRD, participated with the federal Department of Foreign Affairs and International Trade in the identification of new promotional venues.

- In cooperation with officials at the Federal International Business Development Agency-Atlantic Canada, identified opportunities to increase promotion at international oil and gas trade shows, including Offshore Europe in Aberdeen and the World Petroleum Congress at Madrid in 2008.

- The Mines Branch, in partnership with the Chamber of Mineral Resources of Newfoundland and Labrador, participated in major mineral industry trade shows to further promote the Province as a destination for exploration. This included Quebec Exploration, Vancouver Roundup and the Toronto Prospectors and Developers Association of Canada conference. The latter is the world's premier mineral exploration conference.

- The Federal-Provincial Targeted Geoscience Initiative 3 project commenced work in summer 2006. As part of this, a joint federal-provincial geophysical survey (cost-shared at $710,800 federal vs. $150,000 provincial) is being conducted over a highly prospective area of central Newfoundland this winter-spring.

- Participated in the Frontier and Offshore Regulatory Renewal Initiative which continues to build on the smart regulation initiative and the Atlantic Energy Roundtable to renew and modernize the regulatory environment for the offshore sector.

- In cooperation with Department of Finance, a consultant report was commissioned to compare the impact of the Province's *Mining and Mineral Rights Tax Act* with mining tax legislation in other Canadian and selected international jurisdictions. Initial analysis indicated that our tax regime is reasonably well balanced with respect to the return to government versus maintenance of an attractive investment environment.

The Mines and Energy Branches also share commitments with the following entities, each of which submits a separate report.

- Newfoundland and Labrador Hydro
- Churchill Falls (Labrador) Company
- Bull Arm Site Corporation
- Mineral Rights Adjudication Board

3.0 Outcomes of Objectives

During fiscal year 2006-07, the Department of Natural Resources, Mines and Energy Branches, assessed all initiatives in light of commitments to address the issues in its Strategic Plan. The outcomes of objectives for 2006-07 demonstrate progress in addressing these issues. To further advance the agenda of the Mines and Energy Branches in achieving their goals for the 2006-08 Strategic Planning cycle, new objectives, measures and indicators have been developed to guide initiatives for 2007-08.

ISSUE 1: A MARKETABLE NATURAL RESOURCE BASE

Goal 1

By March 31, 2008, the Department of Natural Resources, Mines and Energy Branches, will have increased promotion of the Province's mineral, energy and business services and supply resources.

Measure: Increased promotion

Indicators:

- Increased national and international promotion
- Increased exploration and development opportunities
- Increased business service and supply opportunities

PROGRESS 2006/07

Objective:

- By March 31, 2007, the Department of Natural Resources, Mines and Energy Branches, will have initiated new promotional activities and increased existing activities.

Identified and approached five new major oil companies

- Made contact with potential entrants and continued to build relationships with new entrants and geophysical contractors at various events, including:
  - OTC (Norsk Hydro, BHP Billiton)
  - NOIA (Statoil)
  - ONS (Statoil, Norsk Hydro)
  - CAPP Investor Forum (Nexen, Canadian Superior, Canadian Natural)
  - NAPE Expo (ConocoPhillips, Providence Resources, P.I.C, GSI and TGS Nopec)
  - CORE (Tekoil and Gas)
  - CNG Forum (PetroSA)

Expanded the number of mining/exploration companies to which exploration opportunities are promoted

- Promotion of mineral exploration opportunities was expanded to include the Quebec Exploration Forum in November 2006. This expanded the number of trade shows at which

the Department presents from two to three and enabled us to present our potential to at least ten additional mineral exploration companies.

- The Mineral Incentive Program, expanded to a value of $2.5 million in budget 2006-07, provided funding incentives to the mineral exploration industry and thus directly promotes the Province's exploration opportunities. In 2006-07, the program funded 72 prospectors and 23 companies as opposed to 23 and 20 respectively in 2005-06. Although the number of companies funded did not increase substantially, the grant per company rose from $86,000 in 2005-06 to $107,000 in 2006-07.
- As an allied measure to increase promotion of mineral exploration, the Prospector Training Program for 2006 was increased from one to two annual courses with the additional course being based in Labrador; this has been maintained for 2007.

Identified new venues for trade shows and exhibitions

- A planning document entitled "Promotion of Newfoundland and Labrador's Mineral Resources" has been prepared that outlines a number of potential additional trade show venues, including: the Society for Geology Applied to Mineral Deposits meeting in Dublin, Ireland, for September 2007; the annual China Investment Forum (Toronto) 2007; and China Mining 2007 in Beijing, November 2007. Attendance at these will be subject to available funding. Additional opportunities for future years are also being investigated.

Increased the release of scientific and promotional materials

- Prepared new promotional video for use at national and international venues.
- Published three scientific reports in support of the Call for Bids NL06-1(Jeanne d'Arc Basin), NL06-2(Sydney Basin) and NL06-3(Western NL Offshore Region) and made them available on the Department's website.
- Published semi-annual updates of the Oil and Gas Report to coincide with major promotional events available on the Department's website.
- Published updates of Project Fact Sheets to coincide with major promotional events.
- A number of additional promotional posters were prepared dealing with iron ore and uranium for use at trade shows and conferences. These reflected growing industry interest in these commodities.
- One hundred and three (103) geoscience reports, papers, presentations and maps were released in 2006-07 vs. approximately 97 for 2005-06. However, it should be noted that the number of papers released is not in itself an indicator of the value or quality of the work being done. A more important development was the increase to the Geological Survey budget of $500,000 in Budget 2006-07. This enabled implementation of a new geochemical sampling and new bedrock mapping project in Labrador ($250,000), extension of the field season from two to three months ($150,000), and the development of a new Geoscience Data Management Section ($100,000) for the distribution of data over the internet. There were also contributions toward a joint geophysical program in central Newfoundland with federal counterparts.
- In budget 2007-08, an injection of $1,000,000 per year for the next three years has been sought for the provincial Geological Survey in order for it to mount new programs in Labrador and Newfoundland. This increases the budget for this activity by 25% and will result in an increased flow of information concerning the Province's mineral development potential.

Increased marketing and promotion for industrial infrastructure and supply and service capabilities

Marketing and promotion activities were increased through a number of measures:

- Planned, organized, and participated in two international trade shows in concert with our industry association. (The Offshore Technology Conference in Houston, Texas, May 2007 and the Offshore Europe Conference and Exhibition in Aberdeen Scotland, September 2007). Also planned, organized and participated in numerous private sector companies and educational institutions.
- Produced a video entitled "Come Explore With Us" which promotes both the Province's resource portfolio and industrial capability.
- Advertised in local media and locally produced trade publications promoting the Bull Arm fabrication site and other industrial infrastructure.
- In cooperation with industry stakeholders, planned and organized several networking events for business development purposes associated with the trade shows.
- Provided financial support and participated in events planned by the Petroleum Industry Human Resources Committee and Petroleum Research Atlantic Canada.
- Attended and participated in numerous workshops and seminars organized by various stakeholder groups.
- Produced a CD of information on our resource portfolio and industrial capabilities for distribution at international trade events and numerous presentations outlining provincial industrial capabilities.
- Worked cooperatively with Canadian embassies and consulates, in conjunction with international events, to promote provincial capabilities and enhance business development opportunities.

OBJECTIVES, MEASURES AND INDICATORS - 2007/08

Objective:

- By March 31, 2008, the Department of Natural Resources, Mines and Energy Branches, will have increased promotion of the Province's mineral, energy and business services and supply resources.

Measure: Increased promotion

Indicators:

- Enhanced capacity to market products and services
- Enhanced participation at promotional venues
- Increased presentations to increase awareness of exploration opportunities
- Partner with industry to increase seismic exploration
- Improved dissemination of results of seismic exploration, notably through an on-line format
- Promotion of capacity of Bull Arm site
- Completion of a marketing plan to promote development of the Province's resources

ISSUE 2: A COMPETITIVE INDUSTRY

Goal 2

By March 31, 2008, the Department of Natural Resources, Mines and Energy Branches, will have increased the competitiveness of the Province's mineral, energy and business services and supply resources.

Measure: Increased competitiveness

Indicators:

- Increased exploration and development opportunities
- Increased oil and gas exploration and production
- Increased mineral exploration and production
- Increased efficiency of regulatory environment
- Increased advocacy with stakeholders
- Increased business service and supply opportunities
- Increased business service and supply activity

PROGRESS 2006/07

Objective:

- By March 31, 2007, the Department of Natural Resources, Mines and Energy Branches, will have analyzed existing legislation and developed proposals for implementation of new or amended legislation, regulations and/or programs.

Developed a comprehensive Energy Plan

- A draft Energy Plan has been developed and is currently undergoing revision before public release anticipated in the second half of 2007.

Developed a natural gas royalty framework

- The framework was developed and approval granted to begin industry consultations.

Completed an internal review of *Mining Act and Mineral Act*

- The internal review was completed, including a comparison of the cost-effectiveness and burden of the Province's exploration regulations with those in other Canadian jurisdictions. The results of the review are currently being assessed.

Increased regulatory efficiency, in part through the Red Tape Reduction Initiative

Regulatory efficiency was increased through a number of measures:

- Retained the services of a consultant to provide an external policy, contextual and technical review of the onshore drilling regulations to assist in meeting the objectives of Red Tape Reduction plans.
- Participated in the Frontier and Offshore Regulatory Renewal Initiative which continues to build on the smart regulation initiative and the Atlantic Energy Roundtable to renew and modernize the regulatory environment for the offshore sector.

- Activity in terms of mining regulatory matters was dominated by work on development and proclamation of the Mineral Exploration Standards.
- Commenced planning an amendment to the *Mineral Act* (based on a 2002 comparative analysis of Canadian jurisdictions) to tighten the conditions under which a mining lease may be issued and to ensure that the applicant is also in compliance with the *Mining Act*. Also commenced planning changes to the *Mineral Impost Holdings Act* to encourage increased conversion of holdings to the *Mineral Act*.
- Commenced planning amendments to the *Mining Act* to more clearly permit custom milling operations and to clarify terms and conditions related to financial assurance. Also engaged in the review of the *Mining and Mineral Rights Tax Act* which will contribute to this issue through an analysis of the competitiveness of the Province's mineral taxation regime.

Continued process of stakeholder consultation

- The Department maintained a process of consultations with all stakeholders, particularly, the Newfoundland Ocean Industry Association and major oil and gas companies.

Completed assessment of key industrial/fabrication infrastructure

- Two studies were completed with respect to industrial infrastructure capacity and capability. Recommendations are being evaluated.
- Commenced developing a program (Provincial Export Capability Enhancement Program) primarily related to fabrication of offshore oil and gas related structures and service provision.

OBJECTIVES, MEASURES AND INDICATORS - 2007/08

Objective:

- By March 31, 2008, the Department of Natural Resources, Mines and Energy Branches, will have increased the competitiveness of its mineral, energy and business services and supply services.

Measure: Increased competitiveness

Indicators:

- Policy direction established through release of the Energy Plan with initial steps toward implementation
- New natural gas royalty regime completed and released
- Increase regulatory efficiency and effectiveness through provision of on-line permitting and approvals
- Fund strategic initiatives and partner with other departments to enhance competitiveness

ISSUE 3: INCREASED BENEFITS FROM NATURAL RESOURCE DEVELOPMENTS

Goal 3

By March 31, 2008, the Department of Natural Resources, Mines and Energy Branches, will have increased benefits to the Province from resource developments.

Measure: Increased benefits

Indicators:

- Decreased land-use conflicts
- Increased oil and gas exploration and production
- Increased business service and supply opportunities
- Increased business service and supply activity
- Increased revenues

PROGRESS 2006/07

Objective:

- By March 31, 2007, the Department of Natural Resources, Mines and Energy Branches, will have developed and implemented new programs and improved existing programs to increase benefits to stakeholders from resource development.

Developed comprehensive Energy Plan

- A draft Energy Plan has been developed and is currently undergoing revision before public release anticipated in the second half of 2007.

Developed a natural gas royalty framework

- The framework was developed and approval granted to begin industry consultations.

Increased regulatory efficiency and effectiveness

Regulatory efficiency was increased through a number of measures:

- Retained the services of a consultant to provide an external policy, contextual and technical review of the onshore drilling regulations to assist in meeting the objectives of Red Tape Reduction plans.
- Activity in terms of regulatory matters was dominated by work on development and proclamation of the Mineral Exploration Standards.
- The main regulatory focus over the past year was on the negotiation and implementation of the Standards for Mineral Exploration on Labrador Inuit Lands. This process, required under the terms of the *Labrador Inuit Land Claims Act*, has been essential to allow the booming exploration activity in eastern Labrador to continue. The Standards were jointly negotiated with the Nunatsiavut Government and passed into provincial law on March 30, 2007. Consultation with industry and other government departments was an integral feature of the negotiations.
- As a measure to ensure that the clean up of abandoned mines continues and that the impact

of mining on the environment is mitigated, a funding proposal for the commencement of remediation at the former Baie Verte and Consolidated Rambler mine sites and for further environmental study was under review. This will be followed by funding of $3,406,000 in each of 2008-09 and 2009-10 (subject to budget approval) to ensure that all priority safety issues are addressed.

- Evaluated requirements for development of uranium mines in coordination with federal authorities.

Developed measures to ensure optimal benefits

- Worked with provincial industrial fabricators to address capability and capacity constraints to increase benefits capture from offshore developments and other national and international opportunities in shipbuilding, maintenance, repair and overhaul.
- Participated with Petroleum Research Atlantic Canada to increase oil and gas related research and development opportunities and expand capabilities in the Province.
- Commenced developing the Provincial Export Capability Enhancement Program primarily related to fabrication of offshore oil and gas related structures and supply and service provision. This will increase competitiveness and opportunities to bid on international work and will also improve the Province's capability to increase benefits from local developments.

OBJECTIVES, MEASURES AND INDICATORS - 2007/08

Objective:

- By March 31, 2008, the Department of Natural Resources, Mines and Energy Branches, will have increased benefits to the Province from resource developments.

Measure: Increased benefits

Indicators:

- Established policy direction through release of the Energy Plan with initial steps toward implementation
- Increase partnerships to enhance research and development capacity
- Monitor commitments under agreements, such as the Voisey's Bay Development Agreement and Industrial and Employment Benefits Agreement to ensure benefits accrue to the Province
- Ensure that operators adhere to contractual arrangements and legislative provisions regarding the payment of royalties
- Identify changes to legislation, regulations and policies to enhance competitiveness, including draft amendments to *Mining Act, Mineral Impost Act and Mineral Act*
- Work with industry and other government departments to facilitate technology transfer and supply opportunities for local industry
- Continue to promote opportunities for local employment and the use of fabrication facilities

ISSUE 4: AN INFORMED PUBLIC

Goal 4

By March 31, 2008, the Department of Natural Resources, Mines and Energy Branches, will have improved information available to the general public about natural resource developments.

Measure: Improved public information
Indicators:

- Increased public awareness
- Increased public confidence
- Decreased public uncertainty

PROGRESS 2006/07

Objective:

- By March 31, 2007, the Department of Natural Resources, Mines and Energy Branches, will have developed and begun implementation of a communications plan to better inform the public about natural resource developments.

Development of a communications plan for publications required as a first step the preparation of baseline information against which progress may be measured.

Increased publications (115)

- Twelve (12) geological reports were published this year as baseline activity that the Department will endeavor to increase.
- The Province's Geological Survey also produced 103 technical presentations or publications about specific geological studies and research. This number, however, is only one measure of communicating productivity. The size and scope of individual publications is an equally important consideration.

Increased speeches and presentations (14 events)

- The Minister of Natural Resources has been speaking in public, attending conferences and making presentations regarding mining and energy developments at every opportunity. The frequency of these engagements grew from five in the first half of the year to nine in the second half. These 14 events form the baseline for future year comparisons.

Increased news releases (51 releases)

- The Department doubled its news releases in the second half of the year. From April to September, the Department issued 17 news releases. From October to March, there were 34. These 51 releases will form the baseline for comparing the number of releases in future years.

Increased Ministerial Interviews

- The Minister granted more media interviews as the year progressed; however, the number of interviews was not tracked. The interviewers included local, provincial, national and

international press. The communications staff is now tracking all media interviews to provide a baseline on which to increase the Minister's visibility.

Improved website

- The Department of Natural Resources commenced developing a plan to review the Mines and Energy sector components of the Department's website to ensure a consistent look, feel and navigation, to ensure that new information is featured prominently on the main page and that outdated information is removed. The website is a key tool for informing the public. The Department will strive to achieve the web industry standard that users should be able to find the information they are looking for within three clicks from anywhere on the website. The website should also be used to announce calls for proposals regarding external contract work being requested by the Department.

Increased public consultations

- The Minister travelled the Province and country extensively in 2006-07 and used each of these opportunities to consult with people, partners and interest groups. However, these were not formal public consultations. Throughout the coming year, the Department will continue to identify more opportunities to hold public information sessions. These sessions will enable citizens to ask questions directly to the Department's staff and/or Minister about matters of public policy.

OBJECTIVES, MEASURES AND INDICATORS - 2007/08

Objective:

- By March 31, 2008, the Department of Natural Resources, Mines and Energy Branches, will have improved information available to the public about natural resource developments.

Measure: Communications plan

Indicators:

- Implemented a communications strategy around the launch of the Energy Plan
- Increased promotion of speeches
- Increased news releases and backgrounders
- Increased Ministerial interviews in rural media
- Improved information available publicly through the Department's website
- Increased public information sessions on signficant policy initiatives and programs with a direct impact on the public and industry groups
- Conducted periodic assessments of departmental communications activities with key industry players
- Increased technical briefings for the media on significant policy developments

4.0 Opportunities and Challenges

For the remaining term of the current Strategic Plan and into successive strategic planning cycles, the Mines and Energy Branches will face a number of major challenges and opportunities in developing and managing the Province's resources.

The decision on the type of commercial nickel processing plant to be built by the Voisey's Bay Nickel Company (VBNC) at Long Harbour.
Under the 2002 Development Agreement, VBNC is committed to building a commercial plant for the processing of Voisey's Bay nickel ore. This will either be a Hydromet plant based on the development work at the Argentia Demonstration Plant, or a conventional nickel matte refinery. The company has until November 15, 2008 to make this decision but has indicated that it may be made early in 2008. Either form of processing plant is a major industrial project and represents substantial benefits to the Province from the further processing of mineral resources. Capital costs (based on 2002 estimates) could range from $650 to $800 million and employment from 350 to 400 depending on the type of processing plant. The Department will be fully involved in ensuring that the eventual decision is in the best interests of the Province.

The expanding mineral exploration industry and potential for new mine development.
Provincial mineral exploration surged from $49 million in 2005 to a forecast of $160 million in 2007, an increase of 226%. This brings benefits in terms of the potential mining developments that may ensue but also presents a management challenge for the Department in terms of increased demands on the exploration permitting system.

New mines are already in development. Pine Cove (gold) and Beaver Brook (antimony) will probably enter production in early 2008. A further four mines may enter the permitting and development stage in the next five years or so. These include Voisey's Bay underground (nickel-copper-cobalt), Michelin and Jacques Lake (uranium), Rambler Mine (copper) and Grey River (tungsten). These have the potential to significantly increase the provincial value of mineral production, but will also increase demands upon the Department with respect to the permitting process. A particular demand will be coordinating approval for uranium mines with the Canadian Nuclear Safety Commission, which has the lead responsibility in this area.

Implementation of the Energy Plan.
One of the key challenges in the coming year will be the implementation of the Energy Plan. Some aspects of the Plan's groundwork have already been laid with the creation of the Energy Corporation, development of small-scale wind development on the Island, the development of a natural gas royalty regime and the pursuit of equity participation in offshore petroleum projects. The Energy Branch will formally establish the Energy Efficiency and Conservation Partnership and complete a comprehensive Energy Efficiency and Conservation Plan by March 2008. The Energy Branch will develop an Energy Innovation Roadmap by the end of 2008 to provide direction, focus and priorities for future energy technologies. As well, the Branch will develop resource and capability marketing plans to show the world the breadth of our resources and our ability to develop them. Finally, the Energy Branch will continue to ensure we achieve maximum benefits from our resources whether through equity, increased refining and secondary

processing opportunities and development of our renewable and non-renewable energy resources.

Lower Churchill Development

The 2,824 MW Lower Churchill Project will deliver a long-term supply of reliable, clean electricity to meet the growing energy demands of residential and industrial customers in the Province, and potentially in Ontario, Quebec, the Maritime Provinces and the northeast United States. The project will generate enough electricity to power approximately 1.5 million homes and displace 16 megatonnes of carbon dioxide emissions annually from comparable coal thermal production.

The Lower Churchill Project team is vigorously pursuing the project development on multiple fronts and is targeting project sanction in 2009 and first power in 2015. Like any development project of this magnitude, there are many components being addressed, including the environmental assessment process; review of previous engineering design work and preparation for further studies and field work; negotiations for an Impacts and Benefits Agreement with the Innu Nation of Labrador; analysis of market access options and market destinations and the development of a financing strategy.

Hydro is also continuing to collect all the information necessary to make informed decisions on the best market access options for Lower Churchill power. As part of that continued assessment and the analysis of the sub-sea option, Hydro announced in February that it had filed an application for long-term transmission service from the New Brunswick System Operator.

As the environmental assessment proceeds and the market continues to be investigated, considerable amounts of engineering work also took place in 2007, including a review of previous engineering design work and field investigation on site in Labrador. In March, Hydro announced the award of preliminary engineering service contracts to Hatch Energy, SNC-Lavalin and Fugro Jacques. This preliminary engineering work will allow Hydro to prepare for environmental and engineering activities leading to project sanction and to assist the Lower Churchill Project team in completing the field work, optimization, and engineering studies necessary to prepare for front-end engineering and design work scheduled to begin in 2008. Activity on all key components will continue throughout 2008.

In addition to these challenges and opportunities, the Department will address issues around other upcoming major projects including the Hebron, White Rose and Hibernia South Expansion offshore oilfields and a potential second oil refinery.

2006-07 Annual Performance Report

FORESTRY AND AGRIFOODS AGENCY

1.0 Overview

The Department of Natural Resources, Forestry and Agrifoods Agency (the Agency), was established under the *Executive Council Act* and is a category one government entity under the *Transparency and Accountability Act*. The Agency is responsible for achieving outcomes with respect to natural resource development in the forestry and agrifoods sectors. The Agency is responsible for achieving related outcomes through two branches.

Forestry Service Branch
The **Forestry Service Branch** is responsible for managing and regulating the forest resources of the Province.

Agrifoods Branch
The **Agrifoods Development Branch** is responsible for promoting the continued development, expansion and diversification of competitive and sustainable primary and value-added agriculture and agrifoods businesses.

Vision

The vision of the Agency is of a Province that is realizing the full benefit from its forestry and agrifoods resources in a sustainable manner.

Mission

By March 31, 2011, the Agency will have implemented programs necessary to sustain the Province's forest ecosystems, identified and facilitated further opportunities for sustainable agriculture and agrifoods resource development and optimized the benefits received from these resources.

Mandate

The mandate of the Agency includes the supervision, control and direction of all matters relating to:

- forest resources and utilization, constructing and maintaining forest access roads, forest protection from fire and insects, silviculture, inventory, conservation, management, preparation of management plans, surveying, mapping and developing of forest resources;
- enforcement responsibility in the areas of forestry and wildlife and assisting in enforcement in the areas of inland fisheries, motorized snow vehicle and all-terrain vehicle usage;
- agriculture, including, without limitation of the word "agriculture," agrifoods, agronomy, horticulture, animal husbandry, aviculture, the development of pasturage and the growing of hay and the products of agriculture, including, without limitation of the word "products," animals, meats, fur, eggs, poultry, wool, dairy products, berries, grains, seeds, fruit, including wild fruit, fruit products, vegetables and vegetable products;
- animal health;
- food technology and marketing; and

- agricultural land and the utilization, protection, conservation, management, surveying, mapping and development of agricultural land.

Values

The Agency values an environment that facilitates a high degree of personal responsibility and initiative. Excellence is the key to its achievement, and as individuals and as a team, the Agency's staff strive to uphold these values. During 2006-07 and for the remaining term of the Agency's 2006-2008 Strategic Plan, the Agency's employees have been and will be guided by the following principles or core values as they address opportunities and challenges on related issues.

Integrity - Each individual will be honest, dependable, fair, credible and trustworthy. They will openly acknowledge mistakes, seek to correct them and learn from them.

Respect and Professionalism - Each individual will apply Departmental legislation and policies equitably to stakeholders. They will serve our client groups to the fullest extent possible.

Timeliness - Each individual will meet specified deadlines in accordance with Departmental priorities and follow through on their commitments.

Collaboration - Each individual will seek the opinions and ideas of others in the application of Departmental legislation and policies.

Innovation - Each individual will demonstrate initiative and flexibility in responding to challenges and change.

Lines of Business

The Agency has five main program and service areas:

Management of the Forest Resource
Through the Agency's headquarters in Corner Brook, the Agency is responsible for policy, legislation, programs and forest management planning that enable the citizens of the Province to benefit from the services that ecosystems provide while ensuring their sustainability and health. These programs include silviculture, resource roads construction, forest inventory, forest fire suppression, forest insect control, forest management planning, enforcement/compliance and industry development. Under these programs, the Agency carries out the Province's tree planting operations. In addition, each year the Agency delivers an extensive pre-commercial thinning program and constructs a number of resource roads.

Regional Services
The policy and programs associated with sustainable forest management, health and services are implemented through a regional/district structure. Regional Services are responsible for the delivery of the silviculture, resource roads, forest fire suppression, and enforcement/compliance programs. In addition, Regional Services are responsible for dealing with wildlife issues (road

kills, injured animals, etc.), public awareness programs (presentations to schools, service clubs, etc.), addressing public concerns on other forest resource management issues and the development of district sustainable forest management plans.

Enforcement of legislated requirements
The Agency's responsibility for enforcement of the Province's Forestry and Wildlife Acts is delivered through the Regional Services structure. In addition, the Agency collaborates with other government departments and agencies in enforcement of the federal *Fisheries Act (Inland Fish), All-Terrain Vehicle (ATV) Regulations and the Migratory Bird Convention Act*. The Agency is responsible for monitoring timber harvesting operations as well as patrolling hunting areas for compliance with the regulations under the various Acts.

Licensing, Permitting and Registration
The Agency's regional and district offices issue licenses and permits for timber cutting, sawmilling, burning of brush, operating of harvesting equipment during the fire season, timber export, timber scaling, the purchase of timber, possession permit for wildlife, beaver traplines, transportation of firearms, the export of game and the management of nuisance animals (e.g., moose) on farmlands.

Agriculture and Agrifood Resource Development
Working closely with key stakeholders, the Agency develops policy and programs and provides a support function to the agriculture and agrifoods industry. Programs and services are specifically directed to promoting and facilitating well-planned, sustainable agriculture and agrifoods development as well as associated economic and employment opportunities.

The Agency offers a range of services and agribusiness development programs to diversify, strengthen and add value to the agriculture and agrifoods sectors in order to increase the profitability of agribusinesses and enhance competitiveness. These programs and services include crop and livestock insurance, access roads, land consolidation and development, animal health services, 4-H program, market development, human resource development, technology adoption, food safety and quality, GIS mapping, soil and plant laboratory analysis, environmental farm planning and farm business management and extension services.

Number of Employees

On March 31, 2007 the Agency had 386[1] individuals on payroll.

Branch	Female	Male	Total
Agrifoods	44	65	109
Forestry Service	61	216	277
Total	105	281	386

[1] This figure does not include: Approximately 235 seasonal employees employed in the Forestry Service (vast majority male); 49 employees with corporate services shared with Natural Resources (evenly split between genders); and 4 employees with the Public Service Secretariat shared with mines and energy sectors (almost all female).

Physical Location

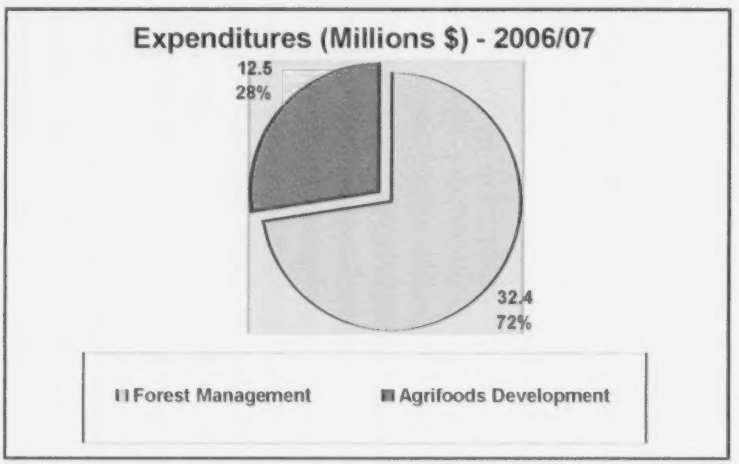
In addition to numerous district and satellite offices throughout the Province, the main offices of the Agency are located at the Herald Towers Building in Corner Brook.

Fortis Building
P.O. Box 2006
Corner Brook, NL
A2H 6J8

The Agency component of the Department of Natural Resources website is:
http://www.gov.nl.ca/nr

Budget

The expenditures for the Agency for fiscal year 2006-07 totalled $44.9 million.[1,2]



[1] For additional details, see Appendix I.
[2] The expenditure figures do not include $6.0 million related to Executive and Support Services which are shared with the Mines and Energy Branches.

2.0 Shared Commitments

To promote and facilitate the sustainable development of the Province's forestry and agrifoods resources for the overall benefit of the residents of Newfoundland and Labrador, the Agency must work in concert with numerous partner organizations. Each may have its own vision, mission and mandate, yet each plays important complementary roles in policy development, management, promotion and assessment activities that are the responsibility of the Agency.

During 2006-07, the Agency partnered on a number of initiatives in areas to further advance accomplishment of its strategic goals and objectives:

- In support of economic development in the agrifoods sector, the Agency collaborated with federal partners to consult on a successor to the Canada/Newfoundland and Labrador Agricultural Policy Framework Agreement, 2003-2008.

    - Round 1 Sessions - Federal-Provincial-Territorial (FPT) regional consultations were held in December 2006 and January 2007 across Canada in which Newfoundland and Labrador stakeholders participated.
    - Round 2 Sessions - FPT provincial consultations were held across Canada in January and February 2007. Sixty (60) producers attended the two sessions in the Province held in Corner Brook and St. John's, January 29 and 31, 2007 respectively.

- In support of the Province's Silviculture Program, the Agency signed new silviculture agreements with industry in 2006-07 reflecting increased tree plantings with a variety of tree species. These agreements are multi-year cost shared and valued at $30.8 million over 5 years.

The Agency also works closely with other stakeholder groups in the development and implementation of programs. Some of the major stakeholder groups are as follows:

- Newfoundland and Labrador Federation of Agriculture
- Dairy Farmers of Newfoundland and Labrador
- Egg Producers of Newfoundland and Labrador
- Newfoundland and Labrador Chicken Marketing Board
- Newfoundland and Labrador Livestock Council
- Newfoundland and Labrador Horticulture Producers Council
- Western Newfoundland Model Forest Partnership
- Newfoundland and Labrador Forest Protection Association
- Newfoundland and Labrador Lumber Producers Association
- Natural Resources Canada - Canadian Forest Service
- Newfoundland and Labrador Forestry Training Association
- Centre of Environmental Excellence

The Agency also shares commitments with a number of entities which report to the Department of Natural Resources. These entities are also required to prepare plans and reports which are tabled in the House of Assembly.

- St. John's Urban Region Appeal Board
- Farm Industry Review Board
- Land Consolidation Advisory Committee
- St. John's Land Development Advisory Authority
- Livestock Owners Compensation Board
- Newfoundland and Labrador Chicken Marketing Board
- Newfoundland and Labrador Crop Insurance Agency
- Forest Land Tax Appeal Board
- Timber Scalers Board

Some government entities subject to the *Transparency and Accountability Act* are inactive yet there is a requirement to prepare an annual report. Under such circumstances, a brief reference to the entity is included in the annual performance report for the responsible minister. The Department of Natural Resources, Forestry and Agrifoods Agency, has one entity in this category.

Newfoundland and Labrador Farm Products Corporation
Section (3) of the *Farm Products Corporation Act* permits the Lieutenant-Governor in Council to appoint not fewer than 5 nor more than 9 members to the corporation. One person is to be chairperson. The members of the corporation, with the exception of the chairperson, shall be appointed for 1 year and are eligible for reappointment.

The current members of the corporation are Mr. Robert Smart (chair), Mr. John Bennett (secretary), Mr. Sid Blundon (treasurer), Mr. Earl Saunders (member), and Mr. Pierre Tobin (member).

The corporation has a mandate to establish abattoirs, cold storage plants, warehouses, packing and processing plants and other buildings and establishments of every kind necessary and suitable for the handling, preparation, processing and storage of farm products of every kind both animal and vegetable for the purpose of facilitating the development of farm products in the Province. Associated activities may include: making advances of livestock to farmers and livestock keepers, either for cash or on credit; employing instructors to instruct farmers and livestock keepers; purchasing, storing, processing, packing and selling farm products of every kind; and handling, storing and selling or advancing on credit animal feeding stuffs of every kind.

The corporation has no assets, and it is inactive.

3.0 Outcomes of Objectives

During fiscal year 2006-07, the Agency assessed all initiatives in light of commitments to address the issues in its Strategic Plan. The outcomes of objectives for 2006-07 demonstrate progress in addressing these issues. To further advance the Agency's agenda in achieving its goals for the 2006-08 Strategic Planning cycle, new objectives, measures and indicators have been developed to guide initiatives for 2007-08.

ISSUE 1: FOREST SECTOR ECONOMY

Goal 1

By March 31, 2008, the Agency will have completed an analysis of the forest sector in Labrador and Newfoundland.

Measure: Completion of forest sector studies for Newfoundland and Labrador
Indicators:

- Completed the Labrador secondary processing and value added study
- Completed the Newfoundland forest sector analysis

PROGRESS 2006/07

Objective

- By March 31, 2007, the Agency will have completed an analysis of the forest sector for Labrador and initiated a similar analysis for Newfoundland.

Measure: Labrador analysis completed

Analysis report completed including recommendations for priority actions

- Labrador analysis was completed by Halifax Global Consultants and was released by government in November 2006.
- The Agency is currently moving forward on the recommendations contained in the report.
- A provincial delegation led by the Deputy Premier travelled to Nunavut to present, among other things, the details of the analysis and to gauge their interest as a potential market for the products that would be produced in the recommended plant.
- Comprehensive public consultations, led by the Parliamentary Secretary, were concluded in 2006 for the Newfoundland analysis.

Measure: Initiated analysis of the Newfoundland forest sector

Terms of Reference completed and approved

- The terms of reference for the study were tendered and the work was awarded to Halifax Global Consultants in February 2007.

Consultant retained to complete analysis

- The workplan was completed and the final draft of the analysis and report were due in Fall 2007.

OBJECTIVES, MEASURES AND INDICATORS - 2007/08

Objective

- By March 31, 2008, the Agency will have completed an analysis of the forest industry for Newfoundland and assessed the recommendations for implementation.

Measure: Newfoundland analysis completed

Indicators:

- Newfoundland analysis completed including recommendations for priority actions
- Consultations with forestry industry stakeholders on analysis of recommendations
- Integration and collaboration of the Newfoundland analysis into the Atlantic Canada forest industry analysis

Goal 2

By March 31, 2008, the Agency will have developed mechanisms to improve government's ability to maximize the value of the resource.

Measure: Developed mechanisms to improve government's ability to maximize the value of the resource

Indicators:

- Developed a new timber royalty regime which is reflective of the quality of the resource, the cost of resource management and our ability to maintain access to international markets
- Implemented processes to address the flow of wood to maximize value
- Opportunities identified for economic diversification related to the forest industry
- Identified value-added industrial participants by product and size
- Increased the number and type of opportunity reviews undertaken
- Increased the number of technical advisory contacts provided to prospective industries

Progress 2006/07

Objective

- By March 31, 2007, the Agency will have implemented processes to address the flow of wood to maximize value and developed a new royalty regime.

Measure: Implemented processes to address the flow of wood to maximize value

Mechanisms are in place directing the flow of wood to meet existing commitments with stakeholders and maximize value of the resource.

Mechanisms implemented included the following:

- A discussion paper concerning regulations regarding the flow of wood fibre was completed. The Department of Justice commenced drafting applicable regulations. The draft regulations were still in the review process as of March 31, 2007.

Measure: Developed a new royalty regime

Established a new royalty regime

- Consultations have been held with staff and major stakeholders and recommendations for a new royalty regime are awaiting final approval.

Consulted with the Newfoundland and Labrador Lumber Producers Association

- The agency consulted with district managers and with the Newfoundland and Labrador Lumber Producers Association on proposed changes to the current Timber Royalty System. The resulting proposed changes have been presented to the Executive. Changes will be forthcoming during the current strategic planning cycle.

OBJECTIVES, MEASURES AND INDICATORS - 2007/08

Objective:

- By March 31, 2008, the Agency will have completed a review of value added opportunities and developed mechanisms for forest diversification.

Measure: Value added/secondary processing review completed
Indicator:

- Opportunities for value added/secondary processing identified

Measure: Mechanisms for forestry diversification developed
Indicator:

- Forestry diversification strategy completed

Goal 3

By March 31, 2008, the Agency will have maintained healthy forest ecosystems.

Measure: Maintained healthy forest ecosystems
Indicators:

- Enhanced Silviculture programming including additional tree planting and the use of different species
- Enhanced forest inventory program that is expanded to include Labrador and overall reflects more up-to-date information
- Expanded forest fire fighting capabilities in Labrador
- Improved enforcement to ensure the protection of inland fish resources

Objective:

- By March 31, 2007, the Agency will have increased resources dedicated to maintaining healthy forest ecosystems.

Measure: Increased resources

Progress 2006/07

Completed new Silviculture Agreements with industry reflecting increased tree plantings with a variety of tree species

- Silviculture Agreements with both paper companies were completed in 2006/07.
- An additional $1,000,000 was invested in the Silviculture Program this year. These funds were allocated directly to improvements in existing programs and to upgrade infrastructure at the Wooddale Tree Nursery to ensure it can meet the demands of a growing Silviculture Program.

Initiated aerial photography and interpretation of photography on the Island and in Labrador to improve inventory database for decision making

- New aerial photography was acquired this year for districts 4 and 6 and portions of districts 2 & 3 (5944 photos in total).
- Air photo interpretation was done for districts 2 and 5 and a portion of district 4. This work will continue in districts 3, 4 and 6 using Agency interpreters.
- Mapping was completed for districts 11, 12, 13 and a portion of district 5.
- In Labrador, new photos were acquired for a portion of district 21 (1209 photos) and the interpretation of these photos will be contracted.

Additional aircraft contracted for fire fighting services in Labrador

- An additional $500,000 was invested in the fire suppression program this year and was allocated across the 3 regions.
- An additional $460,000 was invested in aircraft support, specifically to ensure that adequate initial attack aircraft were available in Labrador.

Increased enforcement effort to protect inland fish resource

- The Agency now collaborates with the Department of Justice on this issue under the guidance of a joint MOU which includes provisions for resource and equipment sharing. However, responsibility for the enforcement of inland fish regulations was transferred to the Department of Justice at the beginning of the fiscal year.

OBJECTIVES, MEASURES AND INDICATORS - 2007/08

Objective:

- By March 31, 2008, the Agency will have continued with implementation of enhanced programs and services designed to maintain healthy forest ecosystems.

Measure: Continued implementation of programs and services

Indicators:

- New Silviculture Agreements with industry reflecting increased tree planting with a range of species
- Analysis completed and a report prepared documenting how the additional silviculture funding will increase volume per hectare over traditional treatments
- Initiated aerial photography and interpretation of photography on the Island and in Labrador to improve inventory data base for decision making
- Plan completed that provides for a ten year forest inventory cycle for the Province
- Establishment of a forest ecosystem research program
- Enhanced caribou enforcement program in Labrador

ISSUE 2: AGRICULTURE AND AGRIFOODS ECONOMY

Goal 1

By March 31, 2008, the Agency will have developed and implemented mechanisms to improve government's ability to maximize the value of its agrifoods resources.

Measure: Developed mechanisms to improve government's ability to maximize the value of agriculture and agrifoods resources

Indicators:

- Implemented initiatives to assist the industry in its advancement
- Increased stakeholder consultations
- Increased agriculture and agrifoods promotion
- Increased collaboration with industry
- Increased value of agrifoods resources through agrifoods development programs and services

Progress 2006/07

Objective:

- By March 31, 2007, the Agency will have initiated mechanisms to maximize the value of agriculture and agrifoods resources.

Measure: Initiated mechanisms to improve government's ability to maximize the value of agriculture and agrifoods resources

Implemented advertising campaign and promotional agriculture and agrifoods initiatives

- The Consumer Awareness Campaign involved the development of TV ad and print media advertising this year. The launch of both the TV and print media advertisements will occur in June 2007. Components to be included are dairy, chicken, eggs, livestock, vegetables, berries, agritourism, fur, secondary processing, and young farmers.

- The Agriculture Awareness Campaign involved participation in various agriculture related fairs and shows throughout the Province. These include the Agrifoods and Garden Show held in Stephenville in May 2006. The Farm Field Day was held in St. John's in August 2006, and the Open Farm Day was held on September 24, 2006 on 30 farms across the Province. Approximately 7000 people visited farms during this event with activities including guided farm tours, hayrides, farm markets, cooked meals, corn boils, and various children's activities.

Completed assessment of Agricultural Policy Framework Programs through industry stakeholder consultation

- The agriculture and agrifood industry in Newfoundland has been consulted, in support of federal/provincial/territorial initiatives, to negotiate a new Canada/Newfoundland and Labrador Agricultural Products Policy Framework (APF) Agreement.

Increased cooperation with the federal government and other stakeholders to assess and develop programming for the industry

- Provincial officials participated in federal-provincial-territorial next generation of agricultural and agri-food policy working groups in a number of thematic areas, including: business risk management, renewal, innovation and science, environment, food safety and quality, and market development and trade. As well, officials from the Agency participated in the Federal/Provincial/Territorial Funding Task Team.
- Consulted with the Agricultural Policy Framework Industry Advisory Committee throughout the year to receive feedback on the APF programs and initiatives.
- Implemented the federally funded Green Cover Program valued at $500,000 and the Canada-Newfoundland and Labrador Water Supply Expansion Program valued at $700,000. As well, 28 environmental farm plans (EFP) were completed in 2006-07 for a total of 205 to date. The EFP's identify best management practices priorities, which are required before APF funding is considered.

Collaborated with industry to complete relevant sector strategies

- Involved with various sectors to complete sector strategies. A cranberry strategy and the fur feed industry strategy have now been completed. The vegetable industry, through the industry advisory stakeholder process, commenced developing a strategy.
- Continued to collaborate with the Labrador Agriculture Advisory Committee to implement the Northern Agrifoods Development Strategy.
- Worked with industry in respect to the growth of the fur industry through participation in the Provincial Fur Committee, annual general meetings of the Fur Breeders Association and the development of policies. Industry has also participated on a number of committees, such as the Land Consolidation Review Committee and the Provincial Cattle Committee.

Implemented research and development initiatives

Research and development initiatives have been implemented by the Agency during this fiscal year. Industry was consulted in the development of such initiatives.

- Under the APF, $2.8 million has been approved for technology adoption, new crop research, development of secondary processing and on-farm diversification.

- For 2006-07, 7 association and 42 producer research and development projects were funded.
- Research and development initiatives, including implementation, are an on-going process within the Agency. Presently, there are 15 projects within the area of production and market development. All these projects have been developed with industry consultation.
- Facilitated the preparation and development of a research project to assess the feasibility of composting mink carcasses. On going research projects were developed over the year for implementation in 2007/2008, including manure management, fly and odour control.

Implemented food safety and food quality initiatives

- Under the APF, $750,000 was committed to 13 food safety and food quality projects, including instituting coordinators for the On-farm and Post-farm Food Safety Programs.
- Development and implementation of Food Safety and Food Quality Programs was on-going, including both on-farm and post farm programs. This included participation at the national level on technical review and various other committees.

Implemented agriculture business development programs and initiatives

- Under the APF, $4.7 million towards 199 projects shared on a 60-40 basis by the federal and provincial governments.
- The provincially funded Provincial Agrifoods Assistance Program (PAAP) provides financial assistance for primary or secondary processing development. Expenditures for 2006/07 were $1.8 million.
- The Agriculture and Agrifoods Development Fund was established to encourage the development, diversification and expansion of large scale agricultural projects in either the primary or secondary processing sectors within Newfoundland and Labrador, and it is intended to stimulate and attract large scale investments in the industry. Government invested $4 million into the establishment of this initiative in 2006-07, of which $1 million has been expended for the development of a premium ice cream manufacturing facility in St. John's.
- $170,000 was expended through the Fruit and Vegetable Storage Assistance Program.
- The Province continued to cost-share national business risk management programs including Production Insurance and the Canadian Agriculture Income Stabilization Program. These initiatives are intended to provide insurance coverage for vegetable producers, and farm income stabilization and disaster coverage to protect against both small and large drops in farm income.

Implemented land development programs and initiatives

A number of land development programs and initiatives were implemented by the Agency to further enhance this area.

- The Agency proceeded with a public call for proposals for crown land in the Northeast Avalon Peninsula, Labrador, Humber Valley and is finalizing expansion plans for a development in Wooddale. These projects will provide farmers with access to approximately 1500 acres of land.
- The Drainage Program ditched 104 acres of farmland with both new acreage and maintenance.
- For 2006-07, $900,000 was committed under the APF to land development, and $350,000 was committed to land development under PAAP for 2006-07.

Implemented professional advisory services for crop, livestock and agribusiness management

A number of professional advisory services were available to industry in this fiscal year.

- Professional technical advisory services for the crop and livestock industry have always been part of the Agency's mandate and initiatives in this area will continue. There are approximately 600 agribusinesses (farms) in the Province, all of which are privy to our professional technical advisory service annually. Also, approximately 20 associated organizations and councils take advantage of these services.
- Professional agri-business advisory services are provided by industry development officers for specialized services in the areas of business planning and economic development.
- Extension services provided to enhance 4-H programming, community pasture management, agricultural fairs such as the Agrifoods and Garden Show (Stephenville in May 2006), new entrant development and crop and livestock production.

OBJECTIVES, MEASURES AND INDICATORS - 2007/08

Objective:

- By March 31, 2008, the Agency will have developed and administered initiatives to further develop and advance agriculture and agrifoods resources.

Measure: Initiated mechanisms to maximize the value of agriculture and agrifoods resources

Indicators:

- Agriculture awareness campaign/initiatives implemented
- Participation in the next generation of federal-provincial-territorial agriculture policy negotiations
- Implementation of programs to enhance and develop the agriculture and agrifood industry in the Province

Goal 2

By March 31, 2008, the Agency will provide mechanisms to increase the sustainability of agriculture and agrifoods resources.

Measure: Sustainable agriculture and agrifoods sector

Indicators:

- Implementation of programs for increased land usage, productivity and sustainability
- Implementation of food safety, food quality and animal health monitoring and surveillance programs
- Enforcement of regulatory programs
- Regular industry consultation and partnership
- Maintained and/or increased sustainability of agrifoods resources through land use management, food safety, food quality, and animal health programs and services

Department of Natural Resources

Progress 2006/07

Objective:

- By March 31, 2007, the Agency will have initiated mechanisms to enhance the sustainability of the industry through enhanced land use management, food safety, food quality and animal health programs and services.

Measure: Initiated mechanisms to enhance the sustainability of the industry through enhanced land use management, food safety and quality and animal health programs and services

Provision of soil analysis for improvement of soil fertility and farm productivity

- 1,500 soil, feed and manure sample analyses and reports provided to industry along with recommendations on soil fertility. Twenty-four farmers participated in sampling for preparation of nutrient management plans.

Usage of GIS mapping and data collection to capture information on farm related activities across the Province

- Primary focus is on the development of the 1:12,500 scale land use inventory. Maps have been plotted for areas of the Province known to have agricultural activity, and are currently being inspected, updated and coded. To date, 313 1:12,500 maps have been coded by commodity and entered into the agricultural lands inventory database. Also, 128 of the 1:12,500 maps have been updated with farm property information and 55 entered into the Agricultural Lands Inventory Database. Farm point information has been collected for farms throughout the Province, and a total of 731 points for 579 farms have been collected using GPS technologies. Along with the database initiatives, numerous products have been developed for farmers, industry and Agency related initiatives. In the 2006 / 2007 fiscal year, there were 375+ data or map requests for information.
- Soils database incorporated surveys for 13 new areas, data upgrades for 4 more areas, and carried out extensive development on the geodatabase, as well as addressing numerous requests.

Increased efforts in monitoring, surveillance and testing for diseases that could impact food safety, food quality and animal health

- Initiated major renovations to the Province's Animal Health Laboratory to expand the area available to it. Once complete, the next step in the application process for ISO 17025 accreditation will take place which involves a site visit from the Standards Council of Canada (which performs ISO accreditation in Canada). This international level accreditation is starting for tests that are done for regulatory or payment purposes. It will extend into other aspects of testing programs over the coming years.
- Hired additional staff to assist monitoring, surveillance and testing initiatives. This included extending accreditation to other tests, expanding into rabies testing, avian influenza testing, Aleutian disease testing and possibly others, depending upon projected volumes of samples.

Regular enforcement of regulatory programs

- The Dairy Farm Inspection Program and Meat Inspection Program are directed by the Agency and managed by the Government Services Centre (GSC). A review of all policies and procedures was completed. Initiated efforts to develop training programs for the frontline GSC staff. Initiated a monthly audit of their activities, as well as increased the number of tests done on the premises and food products produced.

Implementation of On-Farm Food Safety and Food Quality, and Post-Farm Food Safety and Food Quality Programs

The Agency was actively involved in the following activities to implement On-Farm Food Safety and Food Quality, and Post Farm Food Safety and Food Quality Programs:

- Participated along with other provincial governments and national and provincial sector organizations to implement the Canadian On-farm Food Safety Program. The development of a post farm Hazardous Analysis Critical Control Point Program is on-going. The Agency commenced delivering on-farm program training and consultation to farmers in the Province.

Implementation of programs for land consolidation and development

The following activities occurred under the Land Consolidation Program to advance the development of the agriculture and agrifoods industry:

- Purchases completed or pending for seven properties totaling 210 acres in various parts of the Province, i.e., St. John's, Gambo and Springdale. Several properties were advertised for reallocation in the St. John's area.

Identification of suitable agricultural land and the review of land availability for agricultural land use purposes

- Identified suitable land for expansion areas on the Northeast Avalon Peninsula and assessed permitting/planning requirements for the development of such sites. Involved in the planning of the commission for the review of the Agriculture Development Area of the St. John's Urban Region.
- Detailed 1:12,500 scale Soil Surveys in 13 areas for 15,200 acres, i.e., Daniels Harbour, Lethbridge, Central Avalon, Humber Valley, and Winterland; and 1:50,000 scale upgrades in selected areas for 13,000 acres, i.e., Glenwood Seed Potato Farm and Cormack.

Increased kilometers of access road facilitating increased agricultural development

- The Agency maintains approximately 330 km of access roads for approximately 100 farms. In 2006, new construction took place in Kings Point, Happy Valley-Goose Bay, Roberts Arm, Robinsons, Cox's Cove and Cochrane Pond.

OBJECTIVES, MEASURES AND INDICATORS - 2007/08

Objective:

- By March 31, 2008, the Agency will have continued with the implementation of enhanced programs and services for the sustainability of agrifoods resources.

Department of Natural Resources

Measure: Initiated mechanisms to enhance the sustainability of the industry through enhanced land use management, food safety and quality and animal health programs and services

Indicators:

- Identification of suitable agricultural land and review of land availability for agricultural land use purposes
- Increased and sustained accessibility to agricultural land
- Implementation of the land development and consolidation programs
- Implementation of programs related to food safety, food quality and animal health to sustain the agriculture industry

4.0 Opportunities and Challenges

For the remaining term of the current Strategic Plan and into successive Strategic Planning cycles, the Agency will face challenges in pursuing opportunities that impact on a range of goals. Some of the more prominent opportunities and challenges are noted in this section.

Mink Pelt Production
Mink pelt production has increased from a few thousand per year to 160,000 pelts valued at roughly $10 million this year. There are approximately 30 fur farms in the Province, most of which are producing mink. This industry employs approximately 100 people full time and 300 part-time across the Province.

Newfoundland and Labrador fur farmers have invested significant amounts of capital to bring the industry to where it is today. The success of the industry is also providing spin-off benefits, including the creation of new markets related to the supplying of feed stock. In recognition of the potential for growth in the fur farming industry, the Agency embarked on a comprehensive jurisdictional review of best practices to ensure the continued and responsible growth of the industry.

The potential for growth in the mink pelt and related products industry is considerable. The challenge is to facilitate development and implementation of the very latest and best international fur farming practices and to ensure a mutually-agreeable co-existence between our fur farmers and their neighbours.

Alternative Crops
The Province's land and soil characteristics pose challenges in producing many of the traditional fruits and vegetables, resulting in the current need to import from other provinces and countries. However, the characteristics that pose obstacles for many producers of traditional crops represent opportunities for other producers.

A recent success story is Newfoundland and Labrador's cranberry industry. The abundance of acidic bog land provides a perfect environment for cranberry production. In 2006, the industry produced a record harvest of 127,000 kilograms on 11 hectares. The harvest was worth $120,000 in farm gate value. Processing added another $130,000 to the value of the crop.

Initiated only four years ago, the provincial cranberry industry is part of the alternative crops initiative of the Canada-Newfoundland and Labrador Agricultural Policy Framework Agreement. The provincial and federal governments have been sharing the $150,000 annual cost of research and development into improving cranberry crop yields.

The Agency is working with local farmers to develop a long-term cranberry strategy to put more acres into production. Increasing the cranberry harvest will create opportunities for more secondary processing.

Development Opportunities for Utilization of Wood Industry Residues
In recent years, the wood products industry has made significant strides in improving the

utilization of the resources processed through their mills. However, considerable amounts of unused residue are still generated annually. Unlike the wood products industry elsewhere in Canada, where wood residues are in demand and positively contribute to the business bottom line, wood residue handling and landfilling for companies in NL still constitutes a costly operation that negatively affects profitability.

In the past year, the Agency, in co-operation with the Newfoundland and Labrador Forestry Training Association, initiated a number of studies to understand and identify potential bio-energy opportunities in the province. A study, completed in June 2006 by the University of New Brunswick's (UNB) Wood Science Center, identified potential uses for sawmill residue. As a follow-up to the recommendations of the UNB study, Enfor Consulting was contracted to complete a second study investigating the feasibility of small scale pellet manufacturing from existing sawmill residue on the Bonavista Peninsula and surrounding area. Other opportunities will continue to be explored, as the Agency continues to work closely with its partners and industry to identify and seek out new wood products opportunities.

Strategic Plan to Develop Forest Industry in Labrador

Questions have always surrounded the long term opportunities for local development of secondary manufacturing or value-added opportunities of Labrador's forests. Past forest industry initiatives have met with limited success. With the closure of the Stephenville mill, forest industry activity in central Labrador has essentially been non existent. While the forests of Labrador can support new forest development, significant challenges or limitations in transportation, infrastructure, location and local skill sets will have to be overcome first.

In 2005, the Agency initiated a study and contracted Halifax Global Inc. to identify the challenges and opportunities of forest development in Labrador and to put forward a strategy to develop the forest industry over the long term. The study was completed in the spring of 2006 and the report was released to the public in the fall of 2006. The study recommended the establishment of a sawmill and value-added manufacturing plant in Happy Valley-Goose Bay to produce dimension lumber and panelized housing kits for the local and northern markets. The study identified a number of challenges which included identification of a proponent with the required financial backing, recruitment of a senior management team, site selection, determination of energy requirements, and establishing business relationships with the markets identified in the report.

Non-Timber Forest Products

Historically, when it came to the economic development of the Province's forest resources, the Newfoundland and Labrador Forest Service focused on timber. While this is still true today, there is a growing awareness that a wide range of non-timber economic opportunities also exist in the provincial forests. These include: wild berries that could be harvested for jams, spreads, wines and nutraceuticals; wild mushrooms that could be harvested for food; and balsam fir branch tips and tree cones that could be harvested for wreath making, etc. The list of opportunities is almost boundless. To this point, the development of these non-timber resources has been sporadic and well below what is potentially possible.

In 2005, the Agency, in conjunction with the Newfoundland and Labrador Forestry Training Association, entered into a three year contract with Memorial University (the Botanical Gardens) to conduct a comprehensive investigation of non-timber forest product (NTFP) opportunities in Newfoundland and Labrador. The contract will capture the breadth of NTFP opportunities, identify research needs (e.g., resource inventory, ecological concerns, sustainability, and product development) and help to advance development of the sector.

Expenditure and revenue figures included in this document are based on public information provided in the Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund for Fiscal Year Ended 31 March 2007.

STATEMENT OF EXPENDITURE AND RELATED REVENUE SUMMARY FOR THE YEAR ENDED MARCH 31, 2007 (unaudited)

		Actual ($)	Amended ($)	Original ($)
EXECUTIVE AND SUPPORT SERVICES				
1.1.01	Minister's Office	384,807	392,200	303,200
1.2.01	Executive Support	2,202,766	2,335,600	1,657,000
1.2.02	Administrative Support	1,967,216	2,016,580	1,866,100
	Less: Revenue	(6,617)	(10,000)	(10,000)
1.2.03	Administrative Support (Capital)	1,424,589	1,827,000	1,467,000
	Total Executive and Support Services	***5,972,761***	***6,561,380***	***5,283,300***
FOREST MANAGEMENT				
	Forest Management			
2.1.01	Administration and Program Planning	6,914,844	7,475,000	6,692,000
	Less: Revenue	(19,549)	(130,000)	(130,000)
2.1.02	Operation and Implementation	10,076,132	10,196,800	10,383,600
	Less: Revenue	(660)	0	0
2.1.03	Silviculture Development	8,416,408	8,425,700	8,405,700
	Less: Revenue	(7,716)	(1,000)	(1,000)
2.1.04	Resource Roads Construction	3,493,775	3,500,000	3,500,000
	Forest Protection			
2.2.01	Insect Control	2,501,101	3,015,700	3,520,700
	Less: Revenue	(1,792,845)	(1,924,500)	(1,924,500)
2.2.02	Fire Suppression and Communications	3,806,500	3,887,700	3,887,700
	Less: Revenue	(1,020,015)	0	0
	Total Forest Management	***32,367,975***	***34,445,400***	***34,334,200***
AGRIFOODS DEVELOPMENT				
	Land Resource Stewardship			
3.1.01	Land Resource Stewardship - Admin	1,292,911	1,302,800	1,239,100
	Less: Revenue	(8,539)	(33,000)	(33,000)
3.1.02	Limestone Sales	346,429	347,900	342,300
	Less: Revenue	(98,208)	(140,000)	(140,000)
3.1.03	Land Development	1,297,424	2,195,000	2,255,000
	Less: Revenue	0	(155,000)	(155,000)
	Production & Market Development			
3.2.01	Production & Market Development - Admin	2,301,153	2,417,300	2,203,700
	Less: Revenue	(74,828)	(54,700)	(54,700)
3.2.02	Marketing Board	169,459	176,000	129,000
	Agricultural Business Development			
3.3.01	Agricultural Business Development - Admin	1,486,844	1,546,400	1,306,400
3.3.02	Production and Livestock Insurance	270,771	324,800	324,800
	Less: Revenue	(206,195)	(145,800)	(145,800)

		Actual ($)	Amended ($)	Original ($)
3.3.03	Agricultural Initiatives	1,787,002	2,450,000	2,450,000
	Less: Revenue	0	(450,000)	(450,000)
3.3.04	Agriculture and Agrifoods Development Fund	1,000,000	3,575,000	4,000,000
3.3.05	Agricultural Policy Framework	5,450,323	7,026,200	7,026,200
	Less: Revenue	(4,184,477)	(4,079,900)	(4,079,900)
	Animal Health			
3.4.01	Administration and Support Services	2,130,879	2,202,100	2,207,100
	Less: Revenue	(496,061)	(530,000)	(530,000)
	Total Agrifoods Development	***12,464,887***	***17,855,100***	***17,775,200***
	MINERAL RESOURCE MANAGEMENT			
4.1.01	Geological Survey	3,702,819	3,957,100	3,957,100
	Less: Revenue	(4,523)	(34,000)	(34,000)
4.1.02	Mineral Lands	1,051,230	1,082,600	1,079,600
	Less: Revenue	0	(5,000)	(5,000)
4.1.03	Mineral Development	3,878,751	4,250,700	4,357,500
	Total Mineral Resource Management	***8,628,277***	***9,171,400***	***9,275,200***
	ENERGY RESOURCES MANAGEMENT			
5.1.01	Policy and Strategic Planning	503,176	719,100	2,107,700
5.1.02	Petroleum Resources Development	615,033	872,500	927,500
5.1.03	Canada-Newfoundland and Labrador Offshore Petroleum Board	4,250,000	4,450,000	4,450,000
	Less: Revenue	(3,703,428)	(3,337,500)	(3,337,500)
5.1.04	Petroleum Projects Monitoring	1,614,838	1,792,500	1,403,500
	Less: Revenue	0	(15,000)	(15,000)
5.1.05	Electricity Industry Development	693,000	1,033,300	992,300
	Total Energy Resources Management	***3,972,619***	***5,514,900***	***6,528,500***
	INDUSTRIAL BENEFITS MANAGEMENT			
6.1.01	Industrial Benefits	1,789,644	1,962,700	2,372,700
	Less: Revenue	(598,591)	(260,000)	(260,000)
	Total Industrial Benefits Management	***1,191,053***	***1,702,700***	***2,112,700***
	TOTAL DEPARTMENT	**64,597,572**	**75,250,880**	**75,309,100**